

December 21, 2001

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, Massachusetts 02110

Re: D.T.E. 01-71B -- Massachusetts Electric Company/Nantucket Electric Company

D.T.E. 99-47 -- Massachusetts Electric Company/Eastern Edison Company

Dear Secretary Cottrell:

By this letter, the Division Energy Resources ("DOER"), Associated Industries of Massachusetts ("AIM"), and The Energy Consortium ("TEC") (collectively "the Supporting Parties"), provide Joint Comments on the proposals made and Service Quality Plans submitted by Massachusetts Electric Company and Nantucket Electric Company (collectively, the Companies") in a filing with the Department of Telecommunications and Energy ("Department") on December 14, 2001. The Companies' filing responded to a December 5, 2001 letter order by the Department on a Service Quality Plan proposed by the Companies on October 29, 2001 as well as to a procedural order issued in D.T.E. 01-71B. In their December 14, 2001 filing, the Companies made the following proposals to address various issues relating to the evaluation of their performance during calendar years 2000, 2001, and 2002:

- ?? The Companies' performance during calendar year 2000 should be subject to the service quality plan that was approved in connection with a rate plan approved March 14, 2000 in *Massachusetts Electric Company/ Eastern Edison Company*, D.T.E. 99-47 ("Settlement SQ Plan") that became effective May 1, 2000;
- ?? The Companies' performance during calendar year 2001 should be subject to a service quality plan that complies strictly with the Department's guidelines ("Strict SQ Plan"); and

- ?? The Companies' performance during calendar year 2002 should be subject to a service quality plan that complies with the Department's guidelines, with the exception of five variations designed to incorporate features from the service quality plan included in the settlement agreement approved on March 14, 2000 ("Modified SQ Plan").

By letter order dated, December 17, 2001, the Department approved the Strict SQ Plan proposed by the Companies for application to their performance in 2001, subject to modification subsequent to the pending investigation in D.T.E. 01-71. For the reasons set forth below, the Supporting Parties recommend that the Department approve the Companies' proposal that their performance in Calendar years 2000 and 2002 should be subject to the Settlement SQ Plan and the Modified SQ Plan, respectively (as opposed to the Strict SQ Plan).

With regard to the service quality plan to be applied to the Companies' performance during calendar year 2000, the Supporting Parties support the Companies' proposal to apply the terms of the Settlement SQ Plan. This approach is consistent with the Supporting Parties' intentions in agreeing to the terms of the settlement agreement that, until superseded by subsequent Department action, the Companies' performance would be subject to the terms of the Settlement SQ Plan. While the Supporting Parties do not necessarily agree with the Companies' position regarding the retroactive application of the service quality standards issued in DTE 99-84, they do believe that the terms of the original settlement agreement, as approved by the Department, were reasonably understood by the Companies to mean that the service quality standards in the settlement agreement would only be superseded by standards subsequently adopted by the Department on a prospective basis. Therefore, the Supporting Parties submit that the Companies have proposed the appropriate SQ Plan/standards (the Settlement SQ Plan) to be applied by the Department to their calendar year 2000 performance.

With regard to the proposed service quality plan/standards (the Modified SQ Plan) to be applied to the Companies' 2002 performance and beyond, the Supporting Parties support the Companies' proposal for the following reasons. It is consistent with the terms of their earlier settlement agreement. Further, the proposed variations (from the Department's guidelines) result in a plan providing more value for consumers as described below.

First, the Companies' plan includes provisions that strengthen the protections against poor performance. The proposed Modified SQ Plan accomplishes this goal by incorporating the following standards that vary from the Department guidelines.

- ?? The Modified SQ Plan provides for the full two percent penalty to be assessed for poor performance and expressly waives the right to use "service guarantee payments" to reduce the maximum penalty amounts;
- ?? The Modified SQ Plan requires a doubling of penalties in the event the Companies' performance results in maximum penalties for three consecutive years;

?? The Modified SQ Plan requires annual revisions to the penalty benchmarks. To ensure that this will result in improved service quality, the Companies have committed to implementing only the revisions that result in penalty benchmarks that are more stringent than the initial penalty benchmarks.

Second, the Companies' proposal is the only plan submitted to the Department to date containing provisions that encourage distribution companies to improve their performance over historic levels. As part of this scheme, the plan provides for the opportunity to earn reasonable bonuses in exchange for service quality improvements. By requiring annual revisions to the bonus benchmark, the Modified SQ Plan ensures that service quality improvement is a precondition to bonuses.

The Supporting Parties also believe that pre-filed testimony included with the Companies' filing provides the information required by the Department to approve these exceptions to the standards set forth in the Department's Guidelines.

In conclusion, the Supporting Parties submit that the Companies' December 14, 2001 proposal is fair and reasonable and recommend that the Department accept the Companies' proposal to apply the Settlement SQ Plan and the Modified SQ Plan to the Companies' performance for 2000 and 2002, respectively.

Respectfully submitted:

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